

Lopez, Maria [COB]

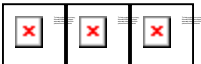
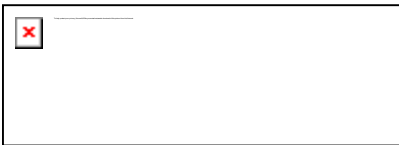
From: Schneider, David <david.schneider@veolia.com>
Sent: Tuesday, December 03, 2019 4:21 PM
To: response@ocgov.com
Subject: Comments for upcoming Board meetings
Attachments: OC Board Follow up # 19 Nov 19th morning session 12.3.19.docx

I would like to provide further comments that we expect to see on the Agenda for December 17th as it relates to the morning session of November 19th, Item 19 John wayne Central Utility Plant Contract Approval Discussion, MA-280-20010615. The attached is further analysis of the price discrepancies between our proposal and that of our competitors that was selected and recommended to the board. It is a supplement to the public comment and document made by Paul Savage related to this item presented on November 19th. I will be in attendance at that meeting and plan to speak, however I wanted to provide this information for consideration ahead of that meeting. Please let me know if you have any questions.

Sincerely,

David Schneider
Vice President Business Development
Municipal & Commercial Business
VEOLIA NORTH AMERICA

Tel (323) 217-4348
david.schneider@veolia.com
www.veolianorthamerica.com



December 3rd, 2019

Subj: Additional Information and Review on Item #19 (November 19th Board Meeting) Public Comment, John Wayne Airport Central Utility Plant Contract Approval Discussion, MA-280-20010615

Veolia has performed further due diligence with the availability of information in reviewing the competitive proposal to try and determine the price discrepancy that the board noted during the November 19th, morning session. This difference was a total contract value for three years comparing Veolia's price of \$4,593,275 to our competitor's original proposed price of \$12,118,457.

- As noted by a John Wayne Airport staff member during the discussion item, the difference was somewhat attributed to the inclusion of maintenance items that are greater than \$50,000. Our competitor included these items whereas Veolia proposed to manage but rather than markup, have JWA contract directly for these services. The rationale was in order to provide a very competitive markup of 3.5% in our proposal, we would not assume large expense items directly but the airport would benefit from our staff's management of subcontracted services. During the November 19th meeting, the JWA staff indicated that this difference was on the order of \$600,000 per year. This estimate was close, however in Veolia's analysis, we have compared the items presented in the table below for Year 1. Based on our analysis, we believe the difference in cost for the included maintenance items are \$830,522 including chemicals and \$677,445 without chemicals. Using the higher of these two costs multiplied by 3 years should amount to a difference of \$2,491,566 (excluding inflation). It is also not clear in these cost tables whether they were presented at cost or included the competitor's proposed 4.5% markup; however that would have a marginal difference.

If these costs were included in Veolia's scope, our total contract value would be on the order of \$7 to \$8 million for the three year contract.

**Included Maintenance Items
(Year 1 comparison)**

	Veolia	Competitor	
Naico	X	X	
Broad	X	X	
Carrier	X	X	
CEMS support & repairs	X	X	
Source Testing and CGA	X	X	
Cummins Engine Service	*	X	
Selmens Apogee Program Support	X	X	
GE Zenith upgrades			
Power System Testing - Switchgear and Relay	X	X	
Calibration Gases	X	X	
Lube Oil + Lube Oil Service		X	\$79,375
Urea		X	\$35,472
Coolant		X	\$5,500
Ammonia			
Spare Parts	X**		
Misc Cons. & Contingency	X***		\$143,545
<i>Condenser Relining and sealing</i>		X	\$26,000
<i>Main Gen/Gearbox, Coupling Overhaul</i>		X	\$175,000
<i>Johnson Mazthey SCR Brincks</i>		X	\$9,800
<i>Softener and Salt</i>		X	\$2,100
<i>Evap and Vent Filters, Cooling tower clean/repair</i>		X	\$41,000
<i>Cummins Overhaul/Spares Engines 2 & 3</i>		X	\$280,000
<i>Lube Oil Filters</i>		X	\$3,960
<i>Engine Oil Filters</i>		X	\$8,136
<i>Spark Plugs</i>		X	\$20,664

* Covered below

** Veolia noted we would need to do an inventory

*** Veolia carried \$10 k in proposal

Competitor adders	\$830,552
Competitor adders w/o chemicals	\$677,445

- It was also noted during the November 19th board meeting that another discrepancy was the number of hours for additional staff which was estimated by the JWA staff to be 4100 hours attributing \$480,000 of additional costs. That cannot be the case as we noted in our November 19th statement that the competitor's proposal had indicated labor at \$2,666,401 per year which is 2.24 times the estimate for Veolia.

Even if we were to consider the additional \$1.3 million in labor hours and include the excluded maintenance (\$480,000 + \$830,522), that would amount to roughly \$8.5 to \$9.5 million per year which is roughly \$3.2 million less than the Best and Final Offer price of \$11,799,207.

- It was stated at the November 19th Board meeting that Veolia had offered one less staff. One reason for this is our size and capabilities to support multiple projects across North America and within California. As we stated at that meeting, Veolia also operated the central utilities for Saddleback College and we are very disciplined

in our approach to O&M to provide our clients with the most reliable cost effective services. We are confident in our ability to operate the JWA facilities with our proposed staff but are willing to look at adding one staff member if necessary which would have a negligible effect on the total contract cost. We had proposed a total O&M staff of five, however our competitor had offered eight in their Best and Final Offer. What was alarming to Veolia was that this number increased in the BAFO with the addition of a Maintenance Manager at a rate of \$150.37. Nowhere in the RFP was this position discussed and our competitor's original proposal did not include this position. In the Best and Final Offer Letter to our competitor dated October 4th, 2019 (received through public record requests), we note that there are no instructions to add this position and the only instruction was to revise pricing as the current projected cost would stain the JWA budget. In addition, we noted that all the hourly pricing for staff was increased several dollars ranging from an additional hourly rate of \$1.69 to \$6.16 per hour of additional labor costs. It is highly unusual to see an hourly labor cost increase in a BAFO process. For review, the hourly cost comparison are again provided in the table below.

Position	Veolia	Competitor
Project Manager	\$134.22	\$205.53 / \$211.69
Maintenance Manager	N/A	N/A / \$150.37
Admin	\$79.14	\$85.05 / \$86.74
Technicians	\$112.83	\$118.07 / \$120.92
Engineers (projects)	\$185.00	\$205.53 / \$211.69

BOLD - for competitor's hourly pricing, the second boldface type is the final negotiated rate whereas the prior was their original proposal price.

- The final point for consideration is this contract is a Time & Materials (T&M) contract. While it is useful to compare estimates for annual and three year projected costs, the only true comparison of costs should be the hourly rates for employees, committed staffing levels for the employees to carry out the scope of work, and the markup for subcontractor/supplies. In all of these categories, Veolia was substantially lower and based on our experience operating hundreds of these types of facilities around the world, we are confident that this will translate into millions of dollars of cost savings for Orange County taxpayers.

If anyone from the Board of Supervisors or their respective staff wish to discuss this item and the information presented further, please contact Veolia's point of contact:

David Schneider
 VP of Business Development
 (323) 217-4348
 david.schneider@veolia.com